## Affiliated Group -- Dividends Paid By A C Corporation To A Member

How are dividends paid to a parent corporation by a subsidiary treated on the parent's Colorado corporate income tax return?

Dividends, which a corporation that is includible in a Colorado combined report or consolidated return receives from another C-corporation also includible in the combined report or consolidated return, are excluded when computing the Colorado taxable income. This is the case whether the corporations file separate or consolidated for federal purposes.

If the subsidiary (payor) corporation does not do business in Colorado and is not includible in the Colorado combined report or consolidated return, then the dividends are excluded from the Colorado taxable income of the parent (payee) corporation to the extent the dividends are deducted in determining taxable income on the parent (payee) corporation's federal income tax return.